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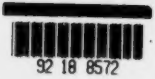

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

KG 2/22/36

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended May 31, 1992

PROCESSED BY
20-19
JUL 21 1992

Commission file number 1-9681

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JENNIFER CONVERTIBLES, INC.
(Exact name of registrant as specified in its charter)

L 3 Q

Delaware	11-2742153
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
331 Rt. 4 West, Paramus, New Jersey	07652
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (201) 343-1610

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes X No _____

(APPLICABLE ONLY TO CORPORATE ISSUERS)

Indicate the number of shares outstanding of the issuer's common stock, as of July 15, 1992: 4,358,468

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JENNIFER CONVERTIBLES, INC. AND SUBSIDIARIES

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JENNIFER CONVERTIBLES, INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

(Unaudited)

ASSETS

	5/31/92	8/31/91
Current assets:		
Cash and cash equivalents	$ 7,468,707	$ 1,744,488
Merchandise inventories	1,925,667	1,802,334
Due from affiliated companies	1,218,256	953,220
Other current assets	1,154,976	502,223
Total current assets	11,767,606	5,002,265
Plant and equipment, net	1,312,798	1,237,647
Goodwill, net	642,893	656,078
Notes receivable, net	858,269	355,130
Other assets, net	1,208,383	1,040,331
	$15,789,949	$ 8,291,451

Liabilities and Stockholders' Equity

Current liabilities:		
Current portion of long-term debt	$ -	$ 600,000
Customer deposits	1,983,452	1,340,223
Due to affiliated companies	378,566	518,837
Accrued expenses and other payables	834,050	686,994
Other current liabilities	382,033	241,622
Total current liabilities	3,578,101	3,387,676
Long-term obligations under capital leases	57,295	140,413
Deferred rent	710,096	697,414
Long-term debt	-	50,000
Long-term debt due to affiliated companies	-	193,932
Total liabilities	4,345,492	4,469,435
Minority interest in subsidiary	5,551	2,102
Stockholders' equity:		
Preferred stock, par value $.01 per share. Authorized 1,000,000 shares; no shares issued	-	-
Common stock, par value $.01 per share Authorized 10,000,000 shares; issued 4,358,468 shares at May 31, 1992 and 3,025,888 at August 31, 1991	43,586	30,259
Additional paid-in capital	12,824,861	6,736,449
Accumulated deficit	(1,429,541)	(2,946,794)
	11,438,906	3,819,914
Commitments and contingencies		
	$15,789,949	$ 8,291,451

See accompanying notes to unaudited condensed consolidated financial statements.

JENNIFER CONVERTIBLES, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Operations

(Unaudited)

	Nine months ended		Three months ended	
	May 31 1992	May 31 1991	May 31 1992	May 31 1991
Revenues:				
Net sales	$24,467,467	$19,434,325	$ 9,336,801	$ 6,103,354
Other income	696,218	281,480	319,122	121,230
	25,163,685	19,715,805	9,655,923	6,224,584
Costs and expenses:				
Cost of sales, including store occupancy, warehousing and delivery	15,476,821	13,130,376	5,840,240	3,979,983
Selling, general and administrative expenses	7,975,270	6,190,244	3,128,541	2,033,825
Interest expense	37,912	111,514	5,808	29,590
	23,490,003	19,432,134	8,974,589	6,043,398
Earnings before income taxes and extraordinary item	1,673,682	283,671	681,334	181,186
Income taxes	638,300	194,233	238,077	103,332
Earnings before extraordinary item	1,035,382	89,438	443,257	77,854
Extraordinary item - utilization of net operating loss carryforwards	481,871	106,712	207,523	54,867
Net earnings	$ 1,517,253	$ 196,150	$ 650,780	$ 132,721
Earnings per common share and common equivalent share:				
Before extraordinary item	.25	.03	.09	.03
Extraordinary item	.11	.04	.04	.02
Net earnings	$ .36	$ .07	$ .13	$ .05
Weighted average number of common shares and common share equivalents outstanding	4,392,000	2,981,000	5,450,000	2,981,000

See accompanying notes to unaudited condensed consolidated financial statements.

JENNIFER CONVERTIBLES, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows

(Unaudited)

	Nine months ended	
	May 31 1992	May 31 1991
Cash flows from operating activities:		
Net cash provided by (used in) operating activities	$1,697,014	$ (342,068)
Cash flows from investing activities:		
Capital expenditures	(291,146)	(43,889)
Deferred expenses	(300,000)	-
Other expenditures	(153,897)	(31,575)
Payments on notes receivable	130,509	-
Proceeds from sale of subsidiaries, net	-	46,438
Net cash used in investing activities	(514,534)	(29,026)
Cash flows from financing activities:		
Net proceeds from issuance of common stock	5,291,739	-
Repayment of long-term debt	(650,000)	(450,000)
Net cash (used in) provided by financing activities	4,641,739	(450,000)
Net change in cash	5,724,219	(821,094)
Cash at beginning of period	1,744,488	1,957,643
Cash at end of period	$7,468,707	$1,136,549
Supplemental disclosure of cash flow information:		
Income taxes paid during the period	$ 86,287	$ 90,991
Interest paid	43,412	117,208

See accompanying notes to unaudited condensed consolidated financial statements.

JENNIFER CONVERTIBLES, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

MAY 31, 1992

(1) Summary of Significant Accounting Policies

Basis of Presentations

The accompanying unaudited consolidated condensed financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the interim period ended May 31, 1992 are not necessarily indicative of the results that may be expected for the year ending August 31, 1992.

Restatement

The condensed consolidated statements of operations for the nine and three months ended May 31, 1991 have been restated to reflect a $75,000 and $25,000 non-cash compensation charge for the nine and three months, ended May 31, 1991, respectively, for cash compensation waived by the Company's President.

Other Income

Other income includes royalty income of $528,756 and $95,738 for the nine month periods and $230,563 and $57,330 for the three month periods ended May 31, 1992 and 1991, respectively.

Advertising

Advertising costs are expensed as incurred.

Earnings Per Share

Earnings per share for the nine months ended May 31, 1992 was computed by dividing earnings, adjusted for the as if reduction of borrowings and the as if investment in U.S. government securities, by the weighted average number of common shares and common share equivalents outstanding during the period. Earnings per share for the three months ended May 31, 1992 was computed by dividing earnings, adjusted for the as if purchase of U.S. government securities, by the weighted average number of shares of common stock and common stock equivalents outstanding during the period.

In 1991, the modified treasury stock method was used. Earnings per share for the nine and three months ended May 31, 1991 was computed by dividing earnings by the weighted average number of common shares outstanding during the period. Stock options and warrants are not included in the earnings per share calculation for the three and nine months ended May 31, 1991 because they are antidilutive.

Reclassification

Certain 1991 balances have been reclassified to conform to the 1992 presentation.

(2) Related Party Transactions

In February 1992, the Company sold computer software to an affiliated company. The affiliated company will be modifying and expanding the software as it relates to the warehousing function in order to accommodate the additional stores serviced under the Company's licensing programs. The aggregate selling price of the computer software was approximately $134,000 which approximates its net book value. No gain or loss was recognized by the Company from such sale.

On September 16, 1991, the Company's Board of Directors adopted, subject to stockholder approval, a new option plan (the "New Plan"). A total of 325,000 shares of Common Stock were reserved for issuance under the New Plan. On April 6, 1992, the Company's Board of Directors, subject to stockholder approval, amended and restated the New Plan for the purpose of increasing from 325,000 to 700,000, the shares reserved for issuance under the New Plan.

On April 6, 1992, the Company entered into a new five year employment agreement with Harley J. Greenfield, Chief Executive Officer and President, pursuant to which Mr. Greenfield agreed to devote his full time to the business of the Company and not to compete with the Company during the term of his employment agreement or for a period of one year thereafter. The new employment agreement is effective as of September 1, 1991. Pursuant to the new employment agreement, Mr. Greenfield, subject to stockholder approval of the New Plan, was granted ten-year options to purchase 150,000 shares of common stock at a purchase price of $8.38 per share (greater than or market value on date of grant), with such options vesting 30,000 shares per year. In the event that the New Plan is not adopted by the Company's stockholders prior to

September 1, 1992, Mr. Greenfield will be entitled to receive a salary, effective September 1, 1991, at the rate of $5,000 multiplied by the number of the Company's stores then open, provided that such salary shall not exceed $250,000 per annum.

Effective May 1, 1992, one of the Company's officers resigned and is currently employed full-time by an affiliated company.

On May 1, 1992, the Company entered into a five year employment agreement with a new officer of the Company pursuant to which the officer receives $125,000 per annum. Additionally, in connection with the employment agreement, the Company granted subject to stockholder approval of the New Plan, options to purchase 40,000 shares of common stock at a purchase price of $8.625 per share (market value on date of grant), with such options vesting 8,000 shares per year.

(3) Plant and Equipment

	May 31 1992	August 31 1991
Automobiles	$ 80,037	$ 80,037
Furniture and fixtures	1,018,902	787,112
Leasehold improvements	983,007	928,161
Computer equipment	322,112	322,112
	2,404,058	2,117,422
Less: Accumulated depreciation and amortization	1,091,260	879,775
Plant and equipment, net	$ 1,312,798	$ 1,237,647

(4) Income Taxes

Components of income tax expense are as follows:

	Nine months ended May 31		Three months ended May 31	
	1992	1991	1992	1991
Current:				
Federal	$ 15,000	15,000	$ 5,000	5,000
State	117,880	70,429	69,634	42,828
	132,880	85,429	74,634	47,828
Deferred:				
Federal	(7,240)	(13,500)	2,305	(4,500)
State	30,789	15,592	(46,385)	5,137
	23,549	2,092	(44,080)	637
Federal charge in lieu of income taxes	481,871	106,712	207,523	54,867
	$638,300	194,233	$238,077	103,332

The differences between the expected income tax expense, based upon the statutory U.S. Federal income tax rate of 34%, and the actual income tax expense in the condensed consolidated statement of operations for the nine and three months ended May 31, 1992 and 1991 is due principally to state income taxes and in 1991 the non-cash compensation charge described in note 1.

(5) Long-term Debt

The Company repaid its outstanding bank loan of $400,000 on January 13, 1992.

In May 1992, the Company canceled its $1,200,000 revolving line of credit which had not been drawn down during fiscal 1992.

(6) Stockholders' Equity

Changes in stockholders' equity during the nine month period ended May 31, 1992 are as follows:

	Common Stock		
	Shares	Par Value	Additional Paid-in Capital
Balance 8/31/91	3,025,888	$ 30,259	$6,736,449
Exercise of 299,795 A Warrants	359,754	3,598	1,489,381
Exercise of 598,208 B Warrants	753,742	7,538	3,580,274
Exercise of 16,285 Underwriter's Units	39,084	391	142,917
Exercise of Crown Option (see note 6)	180,000	1,800	1,078,200
Costs associated with issuance of shares			(202,360)
Balance 5/31/92	4,358,468	$ 43,586	$12,824,861

In connection with the agreement for financial advising services with Ladenburg, Thalman & Co. Inc. ("Ladenburg"), the Company paid an additional $50,000 under the agreement during the three month period ended May 4, 1992. The agreement expired May 4, 1992.

Subsequent to May 31, 1992, on July 16, 1992, the Company completed a public offering of $10,000,000 principle amount of 8 1/2% Convertible Subordinated Debentures ("Debentures") due July 15, 2002. The Debentures are convertible into common stock of the Company at any time prior to maturity at a conversion price of $8.75 per share, subject to adjustment under certain conditions. The Debentures are redeemable on or after July 15, 1994 (or earlier if the common stock trading price is at least 150% of the conversion price for a specified period) at the option of the Company at prices declining from 108.5% to 100% on or after July 15, 2000. Mandatory sinking fund payments will commence July 15, 1999 and will retire $1,000,000 principle amount of the Debentures each year. The Debentures are subordinated to all existing and future senior indebtedness, which includes all indebtedness other than the Debentures. In connection with the public offering, the Company issued to the underwriter warrants to purchase 100,000 shares of the Company's common stock exercisable at a price of $10.05 per share.

(7) Other Agreements

On February 25, 1992, the Company entered into a series of amendments to its agreements, originally entered into on March 21, 1991, with JCI Consultant L.P., a Delaware limited partnership ("JCI"). Pursuant to an amendment to its consulting agreement (the "Consulting Agreement"), JCI agreed to broaden the scope of its services to the Company to include advice on the establishment and financing of Company-owned stores, as well as licensed stores. In addition, JCI's ongoing compensation was changed from $10,000 per month for 48 months to $10,000 per month for 48 months, plus an amount each quarter (commencing with the quarter ending November 30, 1992) equal to the greater of (i) 10% of the Company pre-tax income for such quarter and (ii) $100,000, provided that the total fees payable to JCI under the Consulting Agreement shall not exceed $7,980,000. JCI also received a payment of $300,000 upon execution of the Consulting Agreement, provided JCI is obligated to refund to the Company a portion of the $300,000 determined by multiplying by $1,500 the number of stores less than 200 opened or licensed by the Company between February 25, 1992 and the earlier of February 28, 1996 or the date the Consulting Agreement is terminated. The $300,000 has been deferred and will be expensed as earned based

upon new store openings. Upon the happening of certain events, the Company is obligated to pay JCI an amount equal to the difference between $7,980,000 and the amount previously paid to JCI under the Consulting Agreement. The amended Consulting Agreement also provides that JCI shall be entitled to nominate one person (instead of two) to the Company's Board of Directors commencing April 1, 1993 and for so long as JCI beneficially owns at least 5% of the Company's outstanding Common Stock. The Company may terminate the Consulting Agreement if the Consultant materially breaches its obligations under the Consulting Agreement and fails to cure such breach within 45 days after notice from the Company.

Additionally, in connection with the amended Consulting Agreement, the stock option agreement (the "Option Agreement"), whereby JCI had the option to purchase up to 1,200,000 shares, par value $.01 per share, was amended to provide that such options shall vest immediately, instead of at the rate of 4,000 options for each licensed store financed. In addition, the exercise price was increased from $2 per share to $8 per share, the market price of the common stock on the date of the amendment. The amended option becomes exercisable on April 1, 1996, subject to adjustment under certain circumstances. Additionally, on April 7, 1992, JCI agreed to modify the terms of the Option Agreement, as previously amended as discussed above, to consent to, thereby waiving any claim for breach of the Option Agreement which would result from, the Company granting an option to Harley J. Greenfield, to purchase 150,000 shares of its common stock in accordance with the terms of a new five year employment agreement with Mr. Greenfield (see note 2 Related Party Transactions).

As per the original agreements, under a 10-year Voting Trust Agreement, Harley J. Greenfield, the Company's Chief Executive Officer, is the voting trustee for any shares received upon exercise of the option. However, the Voting Trust Agreement was modified to provide that JCI could direct the voting trustee's vote as to the shares for the election of the director JCI is entitled to nominate and with respect to certain transactions. The original Registration and Sale Agreement was modified to provide, among other things, that JCI could sell shares received upon acceleration of the exercisability of the option prior to April 1, 1996, provided JCI complies with the agreement's provisions concerning rights of first refusal and other specified provisions.

Pursuant to an agreement dated December 30, 1991 between Crown Investment Group, Ltd. ("Crown") and Southeastern Florida Holding Company, Inc. ("Southeastern") on July 19, 1991 (see Note (11)

Other Agreements in the Annual Report on Form 10-K for the fiscal year ended August 31, 1991), Crown sold all of the capital stock in Summit Investment Group Ltd. ("Summit") in exchange for 180,000 shares of common stock on December 30, 1991. Simultaneously, the Company sold the Summit capital stock to Southeastern in exchange for $270,000 in cash and note in the principle amount of $810,000. Crown is a wholly-owned subsidiary of a company, through stock ownership, which is a principal supplier of furniture to the Company.

Included in other current assets in the accompanying condensed consolidated balance sheet as of May 31, 1992 is an amount due of $54,000 for payment under the note. Included in notes receivable, net is the non-current amount due under the note of $734,000.

The Company and its wholly-owned subsidiary, Jennifer Management II Corp., are in the process of negotiating a series of agreements pursuant to which a Delaware limited partnership, Jennifer L.P. II (the "Second Partnership"), established for the purpose of operating Jennifer Convertibles stores, will operate Jennifer Convertibles stores in Detroit, St. Louis, Indianapolis, Milwaukee, and Kansas City. Jennifer Management II, under the proposed agreements, will be the general partner of the Second Partnership and will be responsible for the operation of the Second Partnership.

The Second Partnership is in the process of raising equity financing to open and operate the partnership stores. If the Second Partnership is unable to raise the equity financing, the Company may fund the opening of stores and operate the stores as company-owned stores.

As of July 10, 1992, seven stores have been opened by the Second Partnership. The Company has advanced the Second Partnership a total of $450,000, included in other current assets in the accompanying condensed consolidated balance sheet as of May 31, 1992.

(8) Lease Commitments

The Company is a guarantor of twelve leases for retail locations of its licensee Jennifer Chicago, L.P. for a period ranging from 16 to 60 months. Aggregate lease payments guaranteed by the Company are approximately $1,557,000.

As of May 1, 1992, the Company entered into operating leases for licensed stores in territories for which the Second Partnership

is in the process of raising equity financing. If such financing is not raised, the year, and the aggregate, for all such leases are as follows:

Year ending August 31,	
1992	$ 25,327
1993	403,296
1994	644,193
1995	656,295
1996	676,934
Thereafter	4,018,383
	$6,424,428

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

General

Jennifer Convertibles, Inc., a Delaware corporation, (the "Company"), is the owner and licensor of the largest group of sofabed specialty retail stores in the United States, with 71 stores located primarily on the Eastern seaboard and in the Midwest. Of these stores, 33 are owned by the Company and 38 are licensed by the Company to third parties. Jennifer Convertibles stores specialize in the sale of a complete line of sofabeds and companion pieces, such as loveseats, chairs and recliners, designed and priced to appeal to a broad range of consumers. The sofabeds and companion pieces are made by several manufacturers and range from expensive high-end merchandise to relatively inexpensive models. The Company is the largest dealer of Sealy* sofabeds in the United States. Merchandise is displayed in attractively decorated model room settings in the store designed to show the merchandise as it would appear in the customers home. In order to generate sales, the Company relies on the attractive image of its owned and licensed stores, competitive pricing, prompt delivery and extensive advertising.

Of the Company-owned stores, nine are in New Jersey, six are in Massachusetts, six are in New York, two are in Virginia, four are in Connecticut, three are in Maryland, two are in New Hampshire and one is in Washington, D.C. Of the licensed stores, five are in New York, six are in Florida, 20 are in Illinois (sixteen stores of which are opened as of May 31, 1992), four are in Indiana, one is in Connecticut, one is in Maryland, and one is in New Jersey.

The Company is seeking to expand its operations into other areas of the country through licensing or other arrangements and has formed a second limited partnership (the "Second Partnership") and has selected 25 sites (of which seven have been opened and nine additional leases signed) for the purpose of establishing Company-licensed stores in the Detroit, St. Louis, Indianapolis, Milwaukee and Kansas City metropolitan areas. In addition, the Company is in the process of identifying sites for a third partnership (the "Third Partnership") formed for the purpose of establishing approximately 50 Company-licensed Jennifer Convertibles stores (of which three are already leased) in approximately 10 Southeastern and Midwestern cities. Furthermore, the Company has begun the site selection process for the purpose of licensing Jennifer Convertibles stores in approximately nine cities in Texas and other parts of the Southwest. Equity financing to open and operate such stores has not yet been raised by the Second Partnership or the Third Partnership. If the Second Partnership or the prospective licensees are unable to raise equity financing, the Company may fund the opening of stores from available cash and operate the stores as company-owned stores. In such case, the Company's results of operations would be impacted by the losses associated with new store openings and the Company's expansion may be slowed.

*** Denotes Registered Trademark**

Results of Operations

The following table sets forth selected operations data of the Company expressed as a percentage of sales for the period indicated below:

	Nine months ended May 31		Three months ended May 31	
	1992	1991	1992	1991
Revenues	100.0%	100.0%	100.0%	100.0%
Cost of sales, including store occupancy, warehousing and delivery	61.5	66.6	60.5	63.9
Selling, general and administrative expenses	31.7	31.4	32.4	32.7
Interest expense	.2	.5	.1	.5
Earnings before income taxes and extraordinary item	6.6	1.5	7.0	2.9
Income taxes	2.5	1.0	2.4	1.7
Extraordinary item	1.9	.5	2.1	.9
Net earnings	6.0	1.0	6.7	2.1

The Company's revenues consisting of sales and other income (which include principally royalty income and interest income) increased by 27.6% to $25,163,685 and 55.1% to $9,655,923 for the nine and three month periods ended May 31, 1992 as compared to $19,715,805 and $6,224,584 for the same periods in 1991. The Company's sales increased by 25.9% to $24,467,467 and 53% to $9,336,801 for the nine and three month periods ended May 31, 1992 as compared to $19,434,325 and $6,103,354 for the same periods in 1991. This increase in sales was achieved in each of the geographical areas where the Company operates stores, the Greater New York Metropolitan area, New England and the Washington D.C. area. The increase in sales is due primarily to intensified merchandising and marketing, and an upturn in general economic conditions. Comparable store sales for all stores, exclusive of stores sold or closed in 1991, increased by 28.8% and 53.1% for the nine and three month periods ended May 31, 1992, respectively, as compared to the same period in 1991.

Other income increased by $414,738 or 147%, and $197,892 or 163%, in the nine and three month periods ended May 31, 1992 as compared to the same periods in 1991 primarily as a result of increased royalty income attributable to the maturation of licensed stores, as well as the addition of new licensed stores.

Cost of sales increased 17.9% from $13,130,376 for the nine month period ended May 31, 1991 compared to $15,476,821 for the corresponding 1992 period and increased 46.7% from $3,979,983 for the three month period ended May 31, 1991 compared to $5,840,240 for the corresponding 1992 period. Although cost of sales increased in dollar terms, it decreased as a percentage of revenues from 66.6% to 61.5% over the nine month periods and from 63.9% to 60.5%

over the three month periods due largely to fixed costs spread over a higher sales base, royalty income with no significant incremental cost of sales and increased sales of higher margin merchandise.

Selling, general and administrative expenses were $7,975,270 and $3,128,541 for the nine and three month periods ended May 31, 1992, representing a 28.8% and 53.8% increase, respectively, as compared to the amounts in the nine and three month periods ended May 31, 1992. This increase was due principally to direct costs associated with increased sales as well as certain costs incurred in connection with the Company's licensing program. Selling, general and administrative expenses as percentage of revenues were 31.7% and 32.4% for the nine and three month periods ended May 31, 1992 as compared to 31.4% and 32.7% for the same periods in 1991. In connection with Harley J. Greenfield's waiver of salary for the three years ended August 31, 1991 a non-cash compensation expense of $15,000 and $25,000, respectively for the nine and three months ended May 31, 1991, has been recorded in the Company's consolidated financial statements with a corresponding increase in additional paid-in-capital, to reflect a deemed contribution made by Mr. Greenfield. However, as a result of a change in Mr. Greenfield's employment arrangements, the financial statements for the nine and three months ended May 31, 1992 do not reflect any such non-cash compensation expense.

Interest expense decreased 66% from $111,514 in the nine months ended May 31, 1991 to $37,912 for the corresponding period in 1992 and decreased 80.4% from $29,590 in the three months ended May 31, 1991 to $5,808 for the corresponding period in 1992, due principally to a decrease in the level of debt outstanding.

Net earnings improved by $1,321,103 and $518,059 for the nine and three month periods ended May 31, 1992, respectively, over the same periods for the prior year due to the above factors.

The Company had a backlog of merchandise upon which a deposit had been made of approximately $3,200,000 at July 15, 1992 and approximately $2,300,000 at July 15, 1991.

Liquidity and Capital Resources

As of May 31, 1992, the Company had available working capital of $8,189,505 compared to $1,614,589 as of August 31, 1991. As of May 31, 1992, the Company had available cash and cash equivalents of $7,468,707 compared to $1,744,488 as of August 31, 1991. The increase in cash and cash equivalents since August 31, 1991 is due, to a large extent, to the proceeds from exercise of previously outstanding Class A and Class B Warrants, the increase in sales and an overall increase in customer deposits. Such increase was partially offset by advances due of approximately, $450,000 from L.P. II, the Company's repayment of approximately $650,000

principle amount of long-term debt, $300,000 fee paid to JCI Consultants pursuant to the execution of the Consulting Agreement and capital expenditures of $290,000.

Subsequent to May 31, 1992, on July 16, 1992, the Company completed a public offering of $10,000,000 principle amount of 8 1/2% Convertible Subordinated Debentures ("Debentures") due July 15, 2002. The Debentures are convertible into common stock of the Company at any time prior to maturity at a conversion price of $8.75 per share, subject to adjustment under certain conditions. The Debentures are redeemable on or after July 15, 1994 (or earlier if the common stock trading price is at least 150% of the conversion price for a specified period) at the option of the Company at prices declining from 108.5% to 100% on or after July 15, 2000. Mandatory sinking fund payments will commence July 15, 1999 and will retire $1,000,000 principle amount of the Debentures each year. The Debentures are subordinated to all existing and future senior indebtedness, which includes all indebtedness other than the Debentures. In connection with the public offering, the Company issued to the underwriter warrants to purchase 100,000 shares of the Company's common stock exercisable at a price of $10.05 per share.

As of April 30, 1992, the Company has agreed, under certain conditions, to guarantee up to $1,000,000 of borrowings and as May 31, 1992, $1,557,000 of lease payments of the Chicago Partnership.

Assuming the Company's licensing program is successful, the Company does not anticipate significant capital expenditures during the balance of fiscal 1992. Management believes that its available working capital, plus funds derived from store operations and royalty income will be sufficient to enable the Company to meet its capital and liquidity requirements for the near future.

On January 13, 1992, the Company repaid its outstanding bank loan of $400,000.

Trends

The Company is seeking to add additional licensed stores. As such additional licensed stores commence operations, royalty income should continue to increase. In addition, the Company believes that as its currently licensed stores mature, royalty bearing sales should increase with a corresponding increase in royalty income.

The Company's interest expense will increase as a result of the issuance of the Debentures. The Company will seek to offset a portion of such increase in interest expense by the temporary investment of the proceeds from the public offering and interest income from loans which the Company will forer to make to licensees.

JENNIFER CONVERTIBLES, INC.

PART II

OTHER INFORMATION

ITEMS 1 through 5. NOT APPLICABLE.

ITEM 6. EXHIBIT I - STATEMENT RE: COMPUTATION OF NET EARNINGS PER SHARE

JENNIFER CONVERTIBLES, INC.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

JENNIFER CONVERTIBLES, INC.

July 17, 1992

By: _____
Harley J. Greenfield, Chairman of the Board, President and Chief Executive Officer

July 17, 1992

By: _____
Isabelle Silverman, Vice President-Finance (Chief Financial Officer)

JENNIFER CONVERTIBLES, INC.

EXHIBIT I

Statement Re: Computation of Net Earnings Per Share
Nine-month and three-month periods ended May 31, 1992 and 1991

	May 31, 1992 (2)		May 31, 1991 (3)	
	Nine Months	Three Months	Nine Months	Three Month
	Primary		Primary	
Adjusted net earnings:				
Net earnings	$1,517,253	$ 650,780	$ 196,150	$ 132,721
Interest adjustments (1)	82,131	78,710	150,716	33,186
Adjusted net earnings	1,599,384	729,490	346,866	165,907
Adjusted weighted average common and common equivalent shares outstanding:				
Weighted average common shares outstanding	3,786,500	4,358,468	2,981,184	2,981,184
Weighted average common equivalents	605,340	1,091,747	860,350	860,350
Adjusted weighted average common and common equivalent shares outstanding	4,391,840	5,450,215	3,841,534	3,841,534
Net earnings per common and common equivalent shares	$ .36	$ .13	$ .09	$ .05
Historical calculation				
Adjusted net earnings	$1,599,384	$ 729,490	$ 196,150	$ 132,721
Adjusted average common and common equivalent shares outstanding	4,392,000	5,450,000	2,981,000	2,981,000
Net earnings per common and common equivalent shares outstanding	$ .36	$ .13	$ .07 (2)	$ .05 (2

(1) Calculated based on modified treasury stock method

(2) Because the effect of stock options and warrants were antidilutive, the earnings per shar calculation reported in the consolidated statement of operations in 1991 is based on th weighted average common shares outstanding without giving effect to common equivalen shares.

(3) Fully diluted calculation is not reflected because the effect is immaterial